

CHAPEL HILL-CARRBORO MEALS ON WHEELS, INC.

FINANCIAL STATEMENTS

For the Year Ended December 31, 2019

CHAPEL HILL-CARRBORO MEALS ON WHEELS, INC.

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

Christopher A. Tikvart, CPA
 Timothy E. Noser, CPA
 Shayne Beasley, CPA, CFE
 Michael D. Clonch, CPA

The Board of Directors
 Chapel Hill-Carrboro Meals on Wheels, Inc.
 Chapel Hill, North Carolina

We have reviewed the accompanying financial statements of Chapel Hill-Carrboro Meals on Wheels, Inc., (a non-profit organization), which comprise the statement of financial position as of December 31, 2019, and the related statement of activities, functional expense, and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion

James E. Neal, CPA, CVA, CFE
 Gary C. Hull, CPA

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Accountants' Responsibility

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountants' Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Neal, Bradsher & Taylor

CERTIFIED PUBLIC ACCOUNTANTS
 Durham, North Carolina

October 13, 2020

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CHAPEL HILL-CARRBORO MEALS ON WHEELS, INC.
STATEMENT OF FINANCIAL POSITION
December 31, 2019

ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$	95 090
Account receivable		13 319
Grant receivable		19 168
Prepaid expenses		<u>2 925</u>

Total Current Assets 130 502

PROPERTY AND EQUIPMENT: (At Cost)

Computer and equipment		3 528
Less: Accumulated depreciation		<u>(3 260)</u>

Net Property and Equipment 268

OTHER ASSETS:

Investments		149 780
Beneficial interest in assets held by Triangle Community Foundation		<u>186 155</u>

Total Other Assets 335 935

TOTAL ASSETS \$ 466 705

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Accounts payable	\$	17 639
Accrued payroll liabilities		<u>644</u>

Total Current Liabilities 18 283

NET ASSETS:

Without donor restriction:		
Board Designated:		
Project related		60 915
Operating reserve		186 155
Undesignated net assets		<u>201 352</u>

Total Net Assets 448 422

Total Liabilities and Net Assets \$ 466 705

See Independent Accountants' Review Report and Notes to Financial Statements.

CHAPEL HILL-CARRBORO MEALS ON WHEELS, INC.
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2019

	Without Donor Restrictions
PUBLIC SUPPORT AND REVENUE:	
Contributions	\$ 120 507
Designation from United Way	3 936
Grants	101 093
Contributions in-kind	12 108
Special events, net	53 748
Total Public Support	291 392
 REVENUE:	
Program fees	57 170
Net investment income	45 824
Total Revenues	102 994
Total Public Support and Revenues	394 386
 EXPENSES:	
Meal delivery	258 862
General and administrative	56 929
Fundraising expenses	24 558
Total Expenses	340 349
CHANGES IN NET ASSETS	54 037
NET ASSETS AT BEGINNING OF YEAR	394 385
NET ASSETS AT END OF YEAR	\$ 448 422

See Independent Accountants' Review Report and Notes to Financial Statements.

CHAPEL HILL-CARRBORO MEALS ON WHEELS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2019

	Meal Delivery	Management and General	Fundraising	Total
Salaries	\$ 44 965	\$ 29 342	\$ 12 125	\$ 86 432
Payroll taxes	3 323	2 245	927	6 495
Accounting	-	9 400	-	9 400
Advertising and promotion	-	-	663	663
Office expense	2 754	4 607	1 715	9 076
Information technology	8 663	1 270	460	10 393
Occupancy	1 000	-	-	1 000
Staff training and development	-	670	-	670
Depreciation	-	636	-	636
Insurance	-	6 271	-	6 271
Travel	658	1 140	-	1 798
Bad debt expense	1 022	-	-	1 022
Miscellaneous	1 291	1 353	-	2 644
Food expenses	<u>203 849</u>	<u>-</u>	<u>-</u>	<u>203 849</u>
 TOTAL EXPENSES	 <u>\$ 267 525</u>	 <u>\$ 56 934</u>	 <u>\$ 15 890</u>	 <u>\$ 340 349</u>

See Independent Accountants' Review Report and Notes to Financial Statements.

CHAPEL HILL-CARRBORO MEALS ON WHEELS, INC.
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2019

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	
Cash Flows From Operating Activities:	
Cash received from contributions, grants and other support	\$ 269 752
Cash received from program income	57 170
Cash received from interest and dividends income	7 478
Cash paid to suppliers and employees	<u>(338 194)</u>
Net Cash Used by Operating Activities	<u>(3 794)</u>
Cash Flows From Investing Activities:	
Cash received from investments	7 451
Cash paid for investments	<u>(15 964)</u>
Net Cash Used by Investing Activities	<u>(8 513)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(12 307)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>107 397</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 95 090</u></u>

RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Change in net assets	\$ 54 037
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Depreciation	636
Investment income	(38 346)
(Increase) in Current Assets:	
Accounts receivable	(2 472)
Grants receivable	(19 168)
Prepaid expenses	(540)
Increase (decrease) in Current Liabilities:	
Accounts payable	2 130
Accrued payroll liabilities	<u>(71)</u>
Net Cash Used by Operating Activities	<u><u>\$ (3 794)</u></u>

See Independent Accountants' Review Report and Notes to Financial Statements.

CHAPEL HILL-CARRBORO MEALS ON WHEELS, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2019

1. NATURE OF BUSINESS AND ACTIVITIES:

Chapel Hill-Carrboro Meals on Wheels, Inc., (the Organization) was incorporated on September 10, 1976 as a nonprofit organization in the state of North Carolina. The Organization's mission is to nourish the bodies and spirits of the homebound with a balanced meal and the human connection they need to help them live independently. The Organization provided more than 45,500 meals and a check in, to 321 individual who do not have access or the ability to prepare a healthy meal.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

BASIS OF ACCOUNTING

The financial statements of Chapel Hill-Carrboro Meals on Wheels have been prepared on the accrual basis of accounting, and accordingly, reflect all significant receivables, payables, and other liabilities.

FINANCIAL STATEMENT PRESENTATION

The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restriction and net assets with donor restriction.

Net Assets Without Donor Restriction - Net assets that are not subject to or are no longer subject to donor-imposed stipulations.

Net Assets With Donor Restriction - Net assets whose use is limited by donor-imposed time and/or purpose restrictions.

Revenues are reported as increases in net assets without donor restriction unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restriction. Gains and losses on investment and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor restrictions on the net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time has elapsed) are reported as reclassifications between the applicable classes of net assets. The Organization has adopted a policy to classify donor-restricted contributions as without donor restrictions to the extent that donor restrictions were met in the year the contribution was received.

CASH AND CASH EQUIVALENTS

For purposes of the Statement of Cash Flows, the Organization considers all highly liquid debt instruments with an initial maturity of three months or less to be cash equivalents.

CHAPEL HILL-CARRBORO MEALS ON WHEELS, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

ACCOUNTS RECEIVABLE

Accounts receivable consists of amounts due from recipients for meals provided by the Organization. Receivables are reviewed quarterly and recipients who have not paid and are no longer receiving meals from the organization are written off to bad debt. As of December 31, 2019, the Organization reported \$1,022 of bad debt expense.

GRANT RECEIVABLE

Grant receivable consists of outstanding amounts due for grants, which have been awarded to the Organization. The Organization recognizes grant income upon notification of the unconditional grant award.

PROMISES TO GIVE

Unconditional promises to give are recognized as revenue in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

DONATED ASSETS

Donated supplies are reflected as in-kind contributions on the accompanying statements at their estimated fair value at the date of receipt.

DONATED SERVICES

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. No amounts have been reflected on the financial statements for donated services. The Organization received donated services from 380 unpaid volunteers who perform a variety of tasks that support the Organization's activities. No amounts have been recognized as contributions for these services on the Statement of Activities, since the criteria for recognition under FASB 958-605, Revenue Recognition, has not been satisfied.

DONATED SPACE

The Organization utilizes a small office at the Olin T. Binkley Memorial Baptist Church in Chapel Hill, North Carolina for which it pays a minimal amount in annual rent of \$1,000. This location is used as a staging center prior to the delivery of meals. The remainder of the donated space is considered immaterial to the overall operation of the Organization and does not significantly add to the value of its net assets. Based on this valuation no corresponding value for this donated occupancy is reported on the financial statements.

CHAPEL HILL-CARRBORO MEALS ON WHEELS, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

PROPERTY AND EQUIPMENT

All acquisition of property and equipment in excess of \$2,500 and all expenditures for repair, maintenance, renewals and betterments that materially prolong the useful life of assets are capitalized. Property and equipment are carried at cost, or, if donated, at their appropriate fair value at the date of donation.

Depreciation is computed using primarily the straight-line method over the estimated useful lives, of the respective assets, of 3-5 years.

INCOME TAX STATUS

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

Management has considered the tax positions taken in its tax returns and believes that all of the positions taken by the Organization in its federal exempt organization tax returns are more likely than not to be sustained upon examination.

Generally, the Organization tax returns remain open for three years for examination by the taxing authorities. The Organization does not believe there are any material uncertain tax positions and, accordingly, it did not recognize any liability for unrecognized tax benefits.

CONCENTRATION

The Organization utilizes one vendor for the purchase of approximately 80% of the total meals provided to persons unable to prepare hot, nutritious meals for themselves. If the vendor experiences operational problems or ceased to make the meals available, the Organization's operations could be adversely affected. The Organization would rely on the neighboring Wake County's vendor if such situation arises.

ESTIMATES

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

FUNCTIONAL ALLOCATION OF EXPENSES

The cost of providing various program and other activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on the estimated time spent on program and related administrative activities. Allocations are based upon management's estimates of employee's time spent on each activity.

CHAPEL HILL-CARRBORO MEALS ON WHEELS, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

INVESTMENTS

The Organization carries investments in marketable equity securities with readily determinable fair values and all investments in debt securities at their fair market values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increase in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Accounting standards set a framework for measuring fair value using a three-tier hierarchy based on the extent to which inputs used in measuring fair value are observable in the market.

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or inputs (interest rates, currency exchange rates, commodity rates, and yield curves) that are observable or corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3: Inputs that are not observable in the market and reflect management's judgment about the assumptions that market participants would use in pricing the asset or liability.

REVENUE RECOGNITION

The Financial Accounting Standards Board (FASB) issued two accounting standard updates that has affected the Organization's revenue recognition. The first – Accounting Standards Update No. 2014-09 – Revenue from Contracts with Customers (Topic 606) affects contracts with customers to transfer goods or services and contracts for the transfer of non-financial assets (unless those contracts are within the scope of other standards). The core principle of this update is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the good or services. This update requires entities to make new judgements and estimates and provide expanded disclosures about revenue. The second – Accounting Standards Update No. 2018-08, Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made, establishes standards for characterizing grants and similar contracts with resource providers as either exchange transactions or conditional contributions. The Organization has retrospectively adopted both at the same time, because adopting one update without the other would leave the accounting for some ongoing grants and contracts unresolved. The Organization has adopted these updates as of January 1, 2019. The enclosed financial statements have not been materially impacted by adoption of these two new standards.

CHAPEL HILL-CARRBORO MEALS ON WHEELS, INC.
 NOTES TO FINANCIAL STATEMENTS
 For the Year Ended December 31, 2019

3. LIQUIDITY:

The below reflects Chapel Hill-Carrboro Meals On Wheels' financial assets as of the statement of financial position date, reduced by amounts that are not available for general use due to donor-imposed restrictions within one year of the statement of financial position date.

Financial assets, at year-end	\$ 466 437
Less those unavailable for general expenditures within one year, due to:	
Contractual or donor-imposed restrictions:	
Restricted by donor with time or purpose restrictions	-
Prepays	<u>(2 925)</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 463 512</u>

Financial assets at year-end consists of \$130,502 of current assets, \$149,780 of investments, and \$186,155 of a beneficial interest in assets held with the Triangle Community Foundation. The beneficial interest is held in a non-endowed agency fund that is available for general expenditure; however, the Organization does not intend to withdraw the funds and would only do so in the case of an unanticipated liquidity need.

4. INVESTMENTS:

The Organization's investments at December 31 consist of equity securities recorded at market value as follows:

	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Equity Securities	<u>\$ 139 164</u>	<u>\$ 149 780</u>	<u>\$ 10 616</u>

The following schedule summarizes the investment returns and its classification in the statement of activities for the year-end December 31, 2019:

Realized gains from the sale of investment funds	\$ 1 675
Unrealized gains	14 311
Dividend, interest and capital gain income	4 501
Investment fees	(1 524)
Foreign investment tax	<u>(31)</u>
Net Investment Income	<u>\$ 18 932</u>

5. BENEFICIAL INTEREST IN ASSETS HELD BY THE TRIANGLE COMMUNITY FOUNDATION:

The Organization has established an agency non-endowment fund ("Fund") with the Triangle Community Foundation ("Foundation"). The Fund is administered by the Foundation for the benefit of the Organization (charitable designee). Starting in 2013, the Organization has transferred \$173,134 and taken a cash disbursement of \$25,000 for a total basis of \$148,134.

CHAPEL HILL-CARRBORO MEALS ON WHEELS, INC.
 NOTES TO FINANCIAL STATEMENTS
 For the Year Ended December 31, 2019

5. BENEFICIAL INTEREST IN ASSETS HELD BY THE TRIANGLE COMMUNITY FOUNDATION: (Continued)

The Board of Directors of the Foundation may make distributions of net income and principal to the Organization upon request of the Board of Directors and final approval. Beneficial interest in assets held by the Organization is carried on the books of the Organization at fair market value. Gains and losses from this investment are based upon the Organization's percentage of the portfolio pool.

Values of assets held by Triangle Community Foundation are based upon quoted market prices with observable market prices with observable market data.

All of the Organization's investments are measured using Level 2 inputs. There were no beneficial interest measured using Level 1 or Level 3 inputs. There were no transfers between categories or changes in valuation methods during the year ended December 31, 2019.

Net Investment Gain:	
Realized gains	\$ 5 775
Unrealized gains	19 877
Interest and dividends	2 977
Investment fees	<u>(1 737)</u>
Total Net Investment Gain	<u>\$ 26 892</u>

6. FAIR VALUE MEASUREMENTS:

The following assets carried a fair value and are reviewed and adjusted on a recurring basis:

	Total Fair Value 12/31/2019	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equity security	\$ 149 780	\$ 149 780	\$ -	\$ -
Beneficial interests in assets held by Triangle Community Foundation	<u>186 155</u>	<u>-</u>	<u>186 155</u>	<u>-</u>
Total Assets Measured at Fair Market Value	<u>\$ 335 935</u>	<u>\$ 149 780</u>	<u>\$ 186 155</u>	<u>\$ -</u>

7 BOARD DESIGNATED FUNDS:

The Board of Directors of the Organization has established a policy of designating funds for future expenditures. These designated funds are not restricted and can be changed with board approval. The short-term fund for board-designated projects is held in the Raymond James investment account and is valued at \$60,915 as of December 31, 2019. Expenditures from this account include, but are not limited to, facilities, equipment, and special projects or needs. Funds for projects can be withdrawn by the Executive Director, with notification to the board, or by majority vote of the board. The board also has funds designated for long term, which includes the investments held at Triangle Community Foundation. The value of this account at December 31, 2019 is \$186,155. The purpose is to provide operating reserves when needed. If used, reserves should be replenished.

CHAPEL HILL-CARRBORO MEALS ON WHEELS, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2019

8. CONCENTRATION OF CREDIT RISK:

The Organization maintains deposits in a financial institution that at times exceed the insured amounts of \$250,000 provided by the U.S. Federal Deposit Insurance Company (FDIC).

There are no amounts in excess of insured limits at December 31, 2019.

9. SUBSEQUENT EVENTS:

The Organization evaluated the effect subsequent events would have on the financial statements through the date of the report, October 13, 2020, which is the date the financial statements were available to be issued. The Organization noted that as of June 29, 2020, Chapel Hill-Carrboro Meals on Wheels, Inc. would be merging with Orange County Rural Alliance and will be doing business as Meals on Wheels Orange County. The Organization will now be serving meals in Chapel Hill, Carrboro, and rural Orange.

The Organization received a \$17,600 loan from the federal government through the Payroll Protection Program available for small businesses to cover payroll and other overhead expenses during the novel coronavirus SARS-CoV2 outbreak. Under the Payroll Protection Program, loans may qualify for all or partial forgiveness. Loans used for allowable expenses within the specified timeframe will be fully forgiven. The Organization expects that the loan will be fully forgiven.